

February 8, 2002

Governing Board
California Consumer Power and Conservation Financing Authority
Mr. David Freeman, Chair
Ms. Laura Doll, Chief Executive Officer
Attn: Investment Plan
901 P Street , Suite 142
Sacramento, CA 958 14

Dear Boardmembers, Chairman Freeman and Ms. Doll,

The following comments on the California Consumer Power and Conservation Financing Authority's (Power Authority) draft investment plan are submitted on behalf of the Rose Foundation for Communities and the Environment (Rose Foundation). Rose Foundation is a 501(c)3 non-profit public charity dedicated to advancing positive intersections between the environment and economy.

GENERAL COMMENTS

We strongly support the draft plan's emphasis on conservation, energy efficiency and renewable energy. We see these strategies as key to ensuring adequate supplies of reasonably priced power for California's residents and businesses. We agree with the planner's analysis that increasing state supplies of clean renewable energy and enhancing the efficiency of the State's energy use will:

- reduce the state's vulnerability to fuel-related price shocks;
- increase California's energy independence;
- ensure adequate, reasonably priced energy supplies for Californians
- reduce the adverse health impacts of power generation and disproportionate impacts on communities of color;
- reduce California's contribution to global climate change; and
- *reduce the economic and environmental risks associated with potentially disastrous events including wildfires, earthquakes, and possible terrorist attacks*
- allow Californian's to meet their energy needs in a manner that is more consistent with their stated preferences for clean, renewable power.

The Power Authority is uniquely positioned to accomplish these goals. The Authority is the only state agency charged with financing both conservation and power generation. By providing money up front for capital investments, and allowing borrowers to repay loans out of long term cost savings, the Authority can facilitate expansion of California's renewable energy resources and enhancement of the efficiency of energy use throughout the state.

In addition, the Power Authority's flexible mandate allows the Authority to serve, if needed, as the agency coordinating renewable and efficiency programs for California's investor owned utilities and their customers. By consolidating statewide purchasing, this approach could allow the Power Authority to take advantage of important economies of scale, particularly in contracts for the purchase of solar photo-voltaic systems. **We urge the Power Authority to work with the PUC and investor owned utilities to explore this potential role for the Authority.**

We urge the Power Authority to work closely with the Office of the State Treasurer to develop a detailed document describing specific programs and financing mechanisms that the Authority plans

to employ in implementing the Investment Plan. We also encourage the Power Authority to explore the feasibility of incorporating a revolving loan fund to finance investments in the manufacture, assembly and installation of renewable energy systems, as part of the plan for implementation.

We urge the Authority to seek public comment on future implementation documents before finalizing them, and look forward to participating in that comment process.

ECONOMIC IMPACTS OF THE PROPOSED PLAN

We strongly support the conclusion of the draft's authors that investing in financing renewable energy and energy efficiency will create significant net economic benefits for the State of California compared to other energy planning strategies. As the planners note, increasing energy efficiency and renewable energy use would reduce the net outflow of in-state dollars which are currently required to purchase natural gas and other fuels from out-of-state sources.

As the draft plan notes, renewable energy and energy efficiency can create new jobs in California. The job creation potential of renewable energy is supported by many studies, including a December, 2001 study published by the Renewable Energy Policy Project. (Attached)

These economic benefits to the State will increase significantly if facilities within California manufacture and assemble renewable power and energy efficiency systems, creating even more jobs for Californians. Because in-state manufacture and assembly provides added benefits for California's economy, when the Authority implements the Plan we recommend that the Authority offer preferential interest rates and/or preferential purchase prices to companies that manufacture and or assemble the components of renewable energy and energy efficiency systems within the state of California.

Moreover, in order to ensure that the jobs created with the support of the investment plan are good, safe, family-wage jobs, we urge adopting rate and/or purchase price preferences for companies which pay a minimum living wage and which pay skilled tradespeople at levels equivalent to the prevailing wages for comparable positions in similar industries, whether those companies are engaged in manufacture, assembly, construction or installation. If the Authority wishes assistance in determining prevailing wage standards, the question might be referred to the Department of Industrial Relations, which sets prevailing wage standards for State construction projects. Additionally, we recommend that the Power Authority require manufacturers and installers to provide on the job training in order to ensure the highest standards of reliability and safety and that the Authority require all entities doing business with the Authority commit to card-check neutrality.

As the draft plan notes, renewable energy and energy efficiency also provide economic benefits associated with avoiding negative health impacts that would otherwise be caused by more polluting sources of electricity. This assessment is supported by the American Lung Association study: *"Dollars and Cents: The Economic and Health Benefits of Potential Particulate Matter Reduction in the United States."* (June 1995, American Lung Association, 1740 Broadway, New York, New York 10019-4374)

REGIONAL DISTRIBUTION AND TRANSMISSION SYSTEM ISSUES

While we recognize the need for improvements in statewide transmission systems, we urge that the Authority remain focused on increasing the availability of renewable energy to Californians and enhancing the efficiency of California's energy use. We therefore recommend that transmission enhancements, if any, that might be financed by the Authority be limited to projects that directly

facilitate the connection of renewable energy sources, for example the Tehachapi wind farms, to the state's power grid.

We urge the Authority to defer efforts to address Path 15 transmission constraints and instead continue to actively seek out projects that will increase renewable energy resources north of Path 15 and in other transmission constrained areas, even though the Authority, at the same time, may be financing development of renewables in Southern California and Southwest. We suggest that the Authority explore the feasibility of seeking out other potential partners for renewable energy projects in transmission constrained areas, similar to the joint project with San Francisco. We also encourage the Authority to explore the feasibility of specifically requesting proposals for wind projects in areas north of Path 15, if suitable areas for siting can be identified by the California Energy Commission, taking into account wind conditions and other environmental factors.

We urge the Authority to exhaust all strategies for encouraging the development of clean, reliable, renewable resources, particularly wind and solar, in transmission constrained areas, before entering into any arrangements to finance fossil-fuel fired peaker plants in those areas, including the San Francisco-San Jose corridor.

We further urge the Authority to ensure that members of potentially affected communities have the opportunity to fully participate in the planning process concerning centralized generation facilities, including peakers, and that there is a comprehensive environmental review process including meaningful opportunity for public comment, before the Authority approves the financing of any new centralized generation facility.

ENVIRONMENTAL JUSTICE

We strongly support the conclusion of the draft's authors that renewable energy and energy efficiency offer important avenues for addressing the environmental justice issues posed by conventional power generation strategies. As was noted during the public testimony on the draft plan, there are few, if any, California residents who prefer to live near fossil-fueled power plants.

We urge the Power Authority to develop guidelines for community participation in the Power Authority's planning decisions in consultation with organizations that are actively engaged in seeking environmental justice for Californians who are disproportionately impacted by power plant pollution. Organizations that have been involved in this issue in the San Francisco-San Jose corridor include: Communities for a Better Environment, the Environmental Law and Justice Clinic of Golden Gate University in San Francisco, Greenaction for Health & Environmental Justice, and the Latino Issues Forum.

Key matters to be addressed in community participation guidelines include:

- processes for ensuring that information on proposed projects is genuinely available to community members,
- ensuring that community members have adequate notice and opportunity to participate in workshops and hearings, which therefore must be held at times when working people can attend,
- making sure that adequate time is allowed for community members to prepare comments, and
- establishing a process is established to ensure that public comments are genuinely considered, and can actually affect the result.

SOLAR POWER FOR STATE, MUNICIPAL & SCHOOL BUILDINGS

As the draft plan notes, "the Local Government Commission indicates that at a price of \$5000/kW, some 300 MW of photo-voltaics could cost effectively be installed on municipal buildings and an additional 1500 MW on schools via an aggregated purchase/installation program" in California. We recommend that the Authority develop a specific, detailed implementation plan for the financing or acquisition and resale of Solar PV systems for all appropriate California State, municipal and school buildings. If information is needed about solar installation potential for State buildings, we recommend that the Authority coordinate with the California Energy Commission and Department of General Services to commission a study, similar to the one conducted by the Department of Energy's National Laboratories for the Local Government Commission, to which the draft plan refers.

Based on the Local Government Commission study's findings, we recommend that the Authority develop a plan for financing the cost effective purchase and installation of at least 1800 MW of photo-voltaic systems over the next five years, for California's schools and municipalities, or create a program to purchase the systems directly and resell them to the relevant entities.

A recent analysis by the Oakland-based financial analysis consulting firm, Clean Edge, showed that by increasing the scale of production and standardizing solar PV systems to ease installation, it could be possible to reduce the costs of solar PV installations to less than \$4000/kW installed -- possibly lowering prices as far as \$2500/kW. In order to stimulate production at levels that take advantage economies of scale, we recommend that as part of its overall plan to finance State, municipal and school solar projects, the Authority initiate a bidding process and offer to purchase at least 100 MW per year of solar per year, to be resold to the appropriate entities for installation on State, municipal and school buildings.

SOLAR REVOLVING LOAN FUND

To further increase the likelihood of stimulating manufacture of solar photo-voltaics at levels that maximize economies of scale, we recommend the creation of a revolving loan fund, with the goal of financing 500 MW or production annually by the year 2007. According to the Clean Edge study, 500 MW/year is a critical threshold for maximizing economies of scale, in order to minimize costs of solar installation for end users.

POTENTIAL INVESTMENT PARTNERS

In order to increase the impact of the Power Authority's investment dollars, we strongly urge the Authority to identify renewable energy projects that could provide investment opportunities for California's public employee pension funds, and approach both the California Public Employees' Retirement System and State Teachers' Retirement System with those opportunities, when they arise.

CONCLUSION

We appreciate the opportunity to comment on the draft Power Authority Investment Plan, and look forward to participating in the public comment process as the Power Authority moves forward with implementation.

Sincerely,

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